

COVER SHEET TO HORMEL FOODS CORPORATION SHORT-TERM HOG PROCUREMENT AGREEMENT

Hormel Foods Corporation
1 Hormel Place
Austin MN 55912-3680

Producer: _____

Address: _____

Phone No.: _____

**THIS DOCUMENT IS A LEGAL CONTRACT BETWEEN
HORMEL FOODS CORPORATION AND YOU.**

READ YOUR CONTRACT CAREFULLY. This cover sheet provides only a brief summary of your contract. This is not the contract and only the terms of the actual contract are legally binding. The contract itself sets forth, in detail, the rights and obligations of both you and us. **IT IS THEREFORE IMPORTANT THAT YOU READ YOUR CONTRACT CAREFULLY.**

MATERIAL RISK DISCLOSURE STATEMENT

Please carefully consider the following risk factors in addition to your personal animal husbandry skills, management skills, experience and knowledge before signing this contract.

SWINE PRODUCTION RISKS

- Raising swine for profit depends on many factors. Performance under the terms of this contract does not ensure that you will make a profit. Your profitability is affected by numerous factors. Such factors include, but are not limited to, your own animal husbandry and management skills, herd health, adverse weather conditions, and catastrophic loss of facilities or hogs on account of factors beyond your control.
- You bear all risks of production of market hogs until delivery to our plant and acceptance of hogs by us. Such risks include, but are not limited to, poor farrowing rates, diseased or injured hogs, death loss, poor feed conversion, and sort loss.
- You are required to comply with any change in the Pork Quality Assurance Program of America's Pork Producers and any HACCP program established by us. The requirements of such programs may be more stringent than the current Level III requirements of the Pork Quality Assurance Program.

FINANCIAL RISKS

- This contract is not a "cost plus" contract. This means that you are not assured of covering all of your costs of operation, or of earning a profit, by performing in accordance with the contract terms.
- This contract requires you to supply all of your market hogs to us for the duration of the contract. This may turn out not to be the most beneficial way for you to market your hogs.
- Financing of construction or operation of your swine facilities may exceed costs anticipated by you.

REGULATORY RISKS

- You are responsible for obtaining all necessary permits to legally construct and operate your facilities. Failure to obtain such permits may result in enforcement actions being taken against you by regulatory agencies.
- You are responsible for properly storing, handling and disposing of manure from your facilities. You are exposed to liability for any manure spills or contamination caused by improper storage, handling or disposal.
- Your hogs may be quarantined or destroyed by animal health or other regulatory agencies if the hogs are found to be diseased.
- You are responsible for disposal of all dead hogs. You could be exposed to liability if you fail to properly dispose of all dead hogs.

PAYMENT RISKS

- We may change our station delivered freight discount from time to time. Such changes may mean that you are paid less for hogs you deliver to our buying station.
- We may change our Carcass Buying Program premiums and discounts from time to time. Such changes may mean that you are paid less under this Program for the same type of hogs you delivered prior to the change.

TERMINATION RISKS

- This contract has an initial 6-month term, which automatically renews unless either party terminates the contract. You or we may terminate this contract at the end of any 6-month term upon 30 days' notice.
- We may terminate this contract prior to expiration of the term of the contract if you are in default.
- We may terminate this contract prior to expiration of the term of the contract if we stop slaughtering hogs at the plant to which your hogs are being delivered.

YOUR RIGHT TO REVIEW AND CANCEL THIS CONTRACT

You may cancel this contract by mailing a written cancellation notice to us at the address set forth above within three business days after you receive a copy of the fully signed contract. The written notice of cancellation will be deemed mailed on the date of the postmark on the envelope.

VOLUNTARY AGREEMENT; NO GUARANTEE OF PROFIT

You acknowledge that: (1) you have voluntarily entered into this contract on your own accord; (2) you have had adequate opportunity to consult with your own attorney and accountant regarding all legal, accounting and tax consequences of this contract; and (3) we and our employees and agents make no representations or guarantees of any kind whatsoever regarding the consequences or profitability of this contract to you.

Your Initials: _____

Date: _____

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This Hormel Foods Corporation Short-Term Hog Procurement Agreement (this "Agreement") is made **effective** _____, 200____, by and between the undersigned producer of hogs (hereinafter referred to as "you") and Hormel Foods Corporation (hereinafter referred to as "we", "us" or "our").

1. Term; Termination. The initial term of this Agreement is six (6) months commencing on your first delivery of specified hogs. We will send you a written notice of the commencement date. This Agreement shall automatically renew for successive six-month terms unless terminated by either party at the end of the initial term or any renewal term by providing the other party at least thirty (30) days prior written notice of such termination. This Agreement is subject to immediate termination by us at any time if you default. This Agreement is subject to termination by us if we discontinue the slaughtering of hogs at the plant your hogs are delivered to.

2. Price. (a) Every Friday afternoon, we shall average the top two of the current week's (Monday - Friday) daily 10:00 a.m. Hormel Foods' plant delivered carcass hog prices. This is the "Contract Base Price" and shall remain in effect for the following Sunday through Saturday. If we discontinue spot purchases of hogs and no longer establish such a plant delivered hog price, then the Contract Base Price shall be equal to a rolling average of hog prices reported by an industry source as determined by us and uniformly used in our short-term hog procurement program. (b) For hogs delivered to buying stations, the plant delivered Contract Base Price shall be adjusted by our station delivered freight discount in effect at the time of delivery. (c) The Contract Price shall be used in connection with our carcass merit buying program ("Carcass Buying Program") in effect at the time of delivery to determine the final amount to be paid to you. Our Carcass Buying Program is subject to change by us in our discretion from time to time. (d) The hogs supplied under this Agreement shall be sold F.O.B. destination and title to hogs and risk of loss of hogs pass from you to us as specified in our Carcass Buying Program.

3. Our Obligations. (a) We agree to pay you for contracted hogs as set forth in paragraph 2 for the entire term of this Agreement. (b) We will inspect, sort and weigh hogs at the delivery location or the plant. (c) We will keep all necessary records with respect to the receipt, weighing and payment of all hogs in accordance with our regular record retention and destruction schedule. We currently retain all scale tickets, P&L's and checks for two (2) years. Upon giving us reasonable notice, you may inspect such records during normal business hours at locations designated by us. We will supply at your expense copies of such records as you reasonably request.

4. Your Obligations. (a) **You agree to supply all of your market hogs to us under this Agreement, excluding hogs previously contracted for sale, and estimate that you will supply the following quantity of hogs:**

_____ hogs per month beginning _____, 200____

for delivery to the following slaughter plant (Circle One and Only One Plant):

Austin Plant

Fremont Plant

Rochelle Plant

(b) You are solely responsible for the operation and management of your hog production operation. You are solely responsible for compliance of your hog production operation with all applicable federal, state and local laws and regulations. Examples include laws and regulations relating to permits to operate your facilities, handling and disposal of manure, and disposal of dead hogs.

(c) We must approve the following aspects of your hog production operation at the commencement of this Agreement and any changes you make to these aspects:

(1) A genetic program capable of producing lean, uniform sorted hogs that consistently meet our requirements; and

(2) Facilities to farrow and finish hogs year round and/or sources of weanling and feeder pigs.

(d) All hogs delivered by you under this Agreement must be as follows:

(1) Top quality, healthy and wholesome, free of foreign objects (e.g., needles) and weigh at least two hundred twenty-five (225) pounds;

(2) Not crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery;

(3) Uniform in size and numbers, and derived from approved facilities and sources;

(4) Handled by you and transporters in such a manner so as to optimize meat quality; and

(5) Supervised by a licensed veterinarian and in compliance with any applicable drug use requirements and withdrawal procedures.

(e) You agree to deliver hogs under this Agreement by:

(1) Arranging transportation and incurring freight costs to deliver the hogs to our slaughter plant identified in paragraph 4(a) above;

(2) Delivering the hogs to any other slaughter plant designated by us, in which case we will pay you for additional freight costs incurred by such delivery pursuant to our then current standard livestock freight schedule; and

(3) Arranging delivery with our Hog Procurement personnel **by Thursday** of the week prior to delivery, with specific delivery days and times to be determined by us (**early, late, Sunday and holiday deliveries may be required**). Time is of the essence in the delivery of hogs under this Agreement.

(f) You agree to the following:

(1) To maintain certification at Level III of the Pork Quality Assurance Program, a HACCP program of America's Pork Producers, or the highest Level of such PQA Program established in the future within two months of the Program change establishing such Level;

(2) To comply with any HACCP program established by us, and any change in such a program, within two months of the establishment of the program or the change; and

(3) To allow us to inspect your hogs and facilities during normal business hours on reasonable notice to you.

5. No Security Interests or Liens. You represent to us that all hogs delivered under this Agreement are free and clear of all security interests and liens of any kind whatsoever, except as specifically provided in a written notice received by us at least thirty (30) days prior to delivery. If hogs delivered under this Agreement are subject to any security interest or lien, we may make payments jointly to you and the secured party or lien holder.
6. Force Majeure. Neither party shall be liable for damages due to delay or failure to perform any obligation under this Agreement that results directly or indirectly from any cause beyond the reasonable control of such party. Examples of such causes are disease which could not be reasonably foreseen or prevented by adherence to accepted industry practices, strike or other labor difficulties, breakdown or damage to facilities, acts of war, civil commotions, acts of any governmental authority, interference in telephone or electronic communications, fire, flood, windstorms, and other acts of God. If hogs are not delivered or accepted due to such causes, we may at our option accept hogs in excess of the contracted quantities when you are able to deliver them or we are able to accept them.
7. Assignment; Binding Effect. You do not have the right to assign this Agreement or any of your rights hereunder without our prior written consent, which consent shall not be unreasonably withheld. This Agreement shall be binding on your heirs, successors and permitted assigns and on our successors and assigns.
8. Waiver. Any breach of this Agreement or any right provided by this Agreement may be waived only in a writing signed by the waiving party. Any such waiver shall not affect the validity of this Agreement, or the right of either party to thereafter enforce every provision of this Agreement.
9. Relationship Of Parties. The parties are independent contractors, with neither party in any way the legal representative or agent of the other party. Neither party has any right or authority to act for or bind the other party in any manner.
10. Severability. If any term or provision of this Agreement is held to be illegal or in conflict with any federal, state or local law or regulation, the validity of the remainder of this Agreement shall not be affected. The rights and obligations of the parties shall be construed and enforced as if this Agreement did not contain the particular term or provision held to be invalid.
11. Entire Agreement; Amendment. This Agreement constitutes the entire agreement between you and us with respect to the subject matter of this Agreement (i.e., short-term hog procurement under a weekly pricing program). This Agreement supersedes any prior or contemporaneous oral or written agreement between you and us relating to such subject matter. This Agreement may be amended or supplemented only in writing by you and us, and not by any course of dealing or prior performance.
12. Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Minnesota without regard to conflict of laws principles.
13. Jurisdiction And Venue. All judicial proceedings and actions arising out of or relating to this Agreement shall be venued in the State Courts of Hennepin, Ramsey or Mower County in the State of Minnesota or the Federal Courts of the State of Minnesota. The parties consent to the personal jurisdiction of said courts and waive any argument that such forums are not convenient.

14. Mediation. The parties agree to the use of mediation to attempt to resolve any dispute between the parties arising out of or relating to this Agreement. The mediator shall have no authority to impose a settlement of any such dispute. Mediation shall be conducted pursuant to the Minnesota Civil Mediation Act, Minnesota Statutes, §§ 572.31 to 572.40.

15. No Investment. Nothing in this Agreement requires you to make a capital investment in buildings or equipment that cost \$100,000 or more and have a useful life of five or more years.

16. Authorization. You represent and warrant that you have taken all necessary action to duly authorize the execution, delivery and performance of this Agreement. The individual signing this Agreement on your behalf certifies that he/she is duly authorized to execute this Agreement on behalf of you.

17. Waiver Of Jury Trial. THE PARTIES WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives effective the date written on the top of page 1.

("you") [Print Full Legal Name]

HORMEL FOODS CORPORATION
("we", "us" or "our")

By: _____

By: _____

Its: _____
[State "Sole Proprietor" or Title]

Its: _____

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